

## Message Text

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PAGE 01 LISBON 01749 041918Z  
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-04 TRSE-00 OMB-01 INR-05 NSC-05  
NSCE-00 CIAE-00 L-01 PRS-01 SP-02 /042 W  
-----050927Z 026769 /22-12

R 041755Z MAR 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 0425  
INFO AMEMBASSY BONN

C O N F I D E N T I A L LISBON 1749

LIMDIS

DEPT. PASS TREASURY FOR SYVRUD

E.O. 11652: GDS  
TAGS: ECON, EFIN, EAID, PO  
SUBJ: ECONOMIC ASSISTANCE FOR PORTUGAL, MEETING WITH SOARES

REF: LISBON 1726

1. ECON COUNSELOR AND I MET MARCH 4 WITH PRIME MINISTER SOARES AND FINANCE MINISTER MEDINA CARREIRA. I PRESENTED THEM WITH COPIES OF DRAFT CABLE INSTRUCTING SELECTED U.S. AMBASSADORS TO APPROACH THE GOVERNMENTS TO WHICH THEY ARE ACCREDITED, IN ORDER TO DISCUSS REF SUBJECT. PORTUGUESE PROMISED TO REVIEW THE DRAFT CABLE AND TO PROVIDE US WITH THEIR COMMENTS WITHIN NEXT FEW DAYS. EVERY ATTEMPT WILL BE MADE TO RESPOND BEFORE SOARES LEAVES LISBON MARCH 6 TO VISIT SEVERAL EC CAPITALS.

2. IN DISCUSSING DRAFT CABLE, I INDICATED MY UNDERSTANDING THAT PARA 3.A PROBABLY COULD BE ADJUSTED IN THE FOLLOWING TWO WAYS: FIRST, DISBURSEMENT OF \$750 MILLION WOULD BE MADE DURING FY 78, RATHER THAN 1978. SECOND, I NOTED THAT WE ARE TENTATIVELY THINKING THAT THE TERMS  
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PAGE 02 LISBON 01749 041918Z

FOR DRAWDOWN OF FIRST PORTION OF LOAN MIGHT SIMPLY BE PORTUGAL'S ARRIVING AT A SECOND TRANCHE STANDBY AGREEMENT WITH THE IMF. THIS PROCEDURE, WE ALL AGREED, WOULD BE MUCH MORE PRACTICAL AND REALISTIC THAN ATTEMPTING TO HAVE EACH OF THE POTENTIAL CONSORTIUM MEMBERS ATTEMPT TO SPECIFY PRECONDITIONS.

3. SOARES IS CLEARLY CONVINCED AND WILLING TO TAKE A MUCH MORE AGGRESSIVE ATTITUDE IN SUPPORT OF THE CONSORTIUM. HE PARTICULARLY RECOGNIZES THE IMPORTANCE OF HIS MEETING WITH PRIME MINISTER SCHMIDT ON MARCH 8. HE KNOWS THAT HE MUST CONVINCE SCHMIDT TO TAKE THE NECESSARY POLITICAL DECISION TO BRING GERMANY INTO THE CONSORTIUM. IN ADDITION, HE WILL STRIVE TO HAVE SCHMIDT TAKE HIS DECISION AND SO NOTIFY DR. POEHL PRIOR TO THE LATTER'S DEPARTURE FOR WASHINGTON.

4. SOARES EVIDENTLY IS QUITE PLEASED WITH THE ECONOMIC PROGRAM HIS GOVERNMENT ANNOUNCED FEB 25. PUBLIC REACTION THUS FAR, HE SAID, APPEARS TO HAVE BEEN RATHER FAVORABLE. HE IS, HOWEVER, FEARFUL THAT THE PCP MAY LAUNCH A MAJOR CAMPAIGN AGAINST THE GOVERNMENT'S PROGRAM. ON THE OTHER HAND, HE APPEARED GENUINELY PLEASED BY PSD PRESIDENT SA CARNEIRO'S DECISION TO SUPPORT THE GOVERNMENT'S OVERALL PROGRAM, EVEN THOUGH HE MAY CRITICIZE INDIVIDUAL MEASURES.  
CARLUCCI

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## Message Attributes

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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Enclosure:** n/a  
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**Errors:** N/A  
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**TAGS:** ECON, EFIN, EAID, PO, (SOARES, MARIO), (CARREIRA, HENRIQUE MEDINA)  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009